

Press Democrat – Alliance Clinic Has Financial Squeeze

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ALLIANCE CLINIC HAS FINANCIAL SQUEEZE

CITY ASKED FOR AID AFTER STAFF CUT TO TRIM COSTS

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Alliance Medical Center of Healdsburg, a clinic that serves low-income and uninsured patients, has failed to pay its \$10,000 monthly rent since May and is asking the city for help.

The clinic, which serves mostly Latino patients from northern Sonoma County, is asking Healdsburg to restructure the lease on its \$5 million medical center, which was built in 2002 with redevelopment money.

Jack Neureuter, chief executive for Alliance, said the clinic has laid off four medical providers and seven support staff -- about 12 percent of its 89 employees -- to cut expenses and deal with a cash-flow problem.

"The recovery plan has been working," he said Tuesday, expressing optimism that Alliance Medical Center will survive.

But the squeeze prompted members of the Healdsburg City Council to question how well the clinic is being managed.

"Do I have a a lot of confidence in them right now? I don't," City Councilman Jim Wood said. "They will get a chance to prove to us my lack of confidence may be unfounded. I'm more than a little concerned."

Wood is on a council subcommittee appointed to take a closer look at the medical center's finances. As a dentist, he said he understands some of the challenges the clinic has in obtaining timely reimbursement from state programs and insurance companies.

"We all understand what a mess the medical system is in," said Mayor Gary Plass, who nevertheless said "it's surprising this came upon them so abruptly."

"Alliance Medical Center plays a very important role in our community; we recognized that years ago," he continued. "It's very disappointing to find them in this kind of financial situation."

Alliance Medical Center was founded in 1971 by volunteers to offer health care resources for migrant farmworkers and their families.

It now serves 11,000 to 12,000 patients annually, who make a little over 50,000 visits. About 85 percent are Latino, most speak only Spanish, and 90 percent live significantly under the poverty level.

About 40 percent are uninsured and 40 percent are eligible for Medi-Cal, a state program for low-income patients.

"Alliance Medical Center is known to be the Latino clinic in Sonoma County. People come from all over Sonoma County and outside," said Pedro Toledo of the Redwood Community Health coalition, which is made up of 18 community health centers mainly in Sonoma County.

When it outgrew its facility on Center Street, the city bought land next to Healdsburg District Hospital and built a new home for the community clinic.

Alliance entered into a 30-year lease with the city Redevelopment Agency to occupy and use the 19,500-square-foot medical center.

The monthly rent goes toward repaying a \$1.5 million U.S. Department of Agriculture loan the city took to help pay for the new building.

Alliance last week formally proposed a reduction in its monthly rent to \$1,000 for an 18-month period retroactive to May. It would resume its \$9,945 monthly rent in October 2008. And instead of a 10 percent penalty spelled out in the lease if it doesn't pay rent on time, the center proposes a 5 percent penalty.

In all, it amounts to a \$161,000 subsidy, not including interest, that would be repaid over 24 years.

"We need to see the books and have them come back with a business plan," Plass said of whether the city will grant the request.

Clinic officials alerted the city over the summer that they would probably have to suspend rent payments because they were having trouble meeting their payroll and operating expenses of \$620,000 a month.

Neureuter said he was notified of the cash-flow problem after a former financial officer left in April.

"There was no fraud. It's just the business of being in health care," he said. He explained that for several years, the clinic has been stuck with a lower Medi-Cal reimbursement rate than other clinics.

And when those payments were suspended in September as a result of the state's failure to pass its budget on time, Alliance Medical Center like other clinics and health care facilities was caught in more of a financial squeeze.

The clinic's current liquid reserves are about \$200,000, a cushion Alliance is trying to increase to deal with uncertainties.

In addition to staff cutbacks, the medical and dental clinics held on Saturdays have been canceled to deal with the crunch. But because of evening hours that remain in place, Neureuter said there has been little impact on care and there have been no complaints from patients.

"We're working hard. We're going to do it. We've turned around and we're meeting our goals," Neureuter said.

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